

Bristol Bay
CELLULAR
PARTNERSHIP

June 20, 2012

Ms. Marlene H. Dortch
Secretary
Federal Communications Commission
9300 East Hampton Drive
Capitol Heights, MD 20743

Re: WC Docket No. 10-90, Annual 54.313(a)(2) through (6); (f)(2) and (h) Report of High-Cost Recipient

Dear Ms. Dortch:

Enclosed herein is the annual report for Bristol Bay Cellular Partnership, Inc., Study Area Code 619008 pursuant to §54.313 of the Commission's rules.

We are filing this report via the FCC ECFS system.

Please contact me with any questions at:

Phone (907) 246-6399
Email manager@bristolbay.com

Sincerely,



Todd A. Hoppe
General Manager

Enclosures

Copies to:

Karen Majcher
Vice President-High Cost and Low Income Division
Universal Service Administrative Company
2000 L Street NW, Suite 200
Washington, DC 20036

State of Alaska
Regulatory Commission of Alaska
701 W 8th Ave
Anchorage, AK 99501

BRISTOL BAY CELLULAR PARTNERSHIP, INC.
2012 Annual 54.313 Report of High-Cost Recipient

Certifications

In compliance with the following regulations, Bristol Bay Cellular Partnership, Inc., by Todd A. Hoppe its General Manager hereby certifies, subject to the penalties for false statements imposed under 18 U.S.C. § 1001, that:

54.313(a)

47 CFR § 54.202(a)(1)(i) – It will make reasonable efforts to comply with the service requirements applicable to the support it receives, specifically:

High Cost Loop Support – the services listed and defined in 47 CFR § 54.101(a).

Lifeline Support – the three criteria set forth in 47 CFR § 54.401(a).

Interstate Common Line Support – the filings required in 47 CFR § 54.903 and the certification required in 47 CFR § 54.

47 CFR § 54.313(a)(5) – It will make reasonable efforts to comply with applicable service quality Standards and consumer protection rules as defined in 47 CFR Part 64 Subpart U, Customer Proprietary Network Information and the Federal Trade Commission Red Flag rules to prevent identity theft. It complies with the service standards of the State of Alaska in accordance with its obligation to the State as an Eligible Telecommunications Carrier (ETC). It also complies with the service standards of the State of Alaska promulgated in Alaska Statutes, Title 3 Commerce, Community, and Economic Development Part 7 Regulatory Commission of Alaska, 3 AAC 52.200-3 AAC 52.340, Telephone Utilities and Alaska Administrative Code 3AAC 53.700 State Telecommunications Modernization. (See also Page 3)

47 CFR § 54.313(a)(6) – It will make reasonable efforts to function in emergency situations as set forth in 47 CFR § 54.202(a)(2). (See also Page 4 & 5)

47 CFR § 54.313(g) – It is without access to terrestrial backhaul and is compelled to rely exclusively on satellite backhaul in its study area. No terrestrial backhaul options exist. It will make reasonable efforts to offer broadband service at actual speeds of at least 1 Mbps downstream and 256 kbps upstream within the supported area served by satellite middle-mile facilities.

Certified by:


Signature

Todd A. Hoppe

Printed Name

General Manager

Title

BRISTOL BAY CELLULAR PARTNERSHIP, INC.
2012 Annual 54.313 Report of High-Cost Recipient

54.313(a)(2) Detailed Information on any Outage in 2011

An outage is a significant degradation in the ability of an end user to establish and maintain a channel of communications as a result of failure or degradation in the performance of a communications provider's network of at least 30 minutes in Bristol Bay Cellular Partnership, Inc.'s service area.

An outage affected at least ten percent of the end users in the service area. No
(Yes or No)

An outage that potentially affects a 911 special facility occurs whenever:

- (1) There is a loss of communications to PSAP(s) potentially affecting at least 900,000 user-minutes and: The failure is neither at the PSAP(s) nor on the premises of the PSAP(s); no reroute for all end users was available; and the outage lasts 30 minutes or more; or
- (2) There is a loss of 911 call processing capabilities in one or more E-911 tandems/selective routers for at least 30 minutes duration; or
- (3) One or more end-office or MSC switches or host/remote clusters is isolated from 911 service for at least 30 minutes and potentially affects at least 900,000 user-minutes; or
- (4) There is a loss of ANI/ALI (associated name and location information) and/or a failure of location determination equipment, including Phase II equipment, for at least 30 minutes and potentially affecting at least 900,000 user-minutes (provided that the ANI/ALI or location determination equipment was then currently deployed and in use, and the failure is neither at the PSAP(s) or on the premises of the PSAP(s)).

An outage affected a 911 special facility in the service area. No
(Yes or No)

BRISTOL BAY CELLULAR PARTNERSHIP, INC.
2012 Annual 54.313 Report of High-Cost Recipient

Miscellaneous Information

54.313(a)(3) The number of requests for service from potential customers within the recipient's service areas that were unfulfilled during the prior calendar year - Zero

54.313(a)(4) The number of complaints per 1,000 connections in 20XX - Zero

54.313(a)(5) Satisfaction of Consumer Protection and Service Quality Standards

Consumer Protection

Bristol Bay Cellular Partnership, Inc. complies with the requirements of 47 CFR Part 64 Subpart U, Customer Proprietary Network Information and the Federal Trade Commission Red Flag rules to prevent identity theft. A manual for each of those programs is in place and is part of the employees' handbook. Employee training is conducted annually and new hires are instructed on the programs as required by their job functions.

Service Quality Standards

Bristol Bay Cellular Partnership, Inc. complies with the service standards of the State of Alaska in accordance with its obligation to the State as an Eligible Telecommunications Carrier (ETC). It also complies with the service standards of the State of Alaska promulgated in Alaska Statutes, Title 3 Commerce, Community, and Economic Development Part 7 Regulatory Commission of Alaska, 3 AAC 52.200-3 AAC 52.340, Telephone Utilities and Alaska Administrative Code 3AAC 53.700 State Telecommunications Modernization.

BRISTOL BAY CELLULAR PARTNERSHIP, INC.
2012 Annual 54.313 Report of High-Cost Recipient

54.313(a)(6) Ability to Remain Functional in Emergency Situations

Back-up Power

Bristol Bay Cellular Partnership, Inc. has the following back-up power capabilities:

Switches – stand alone and/or host

King Salmon	Emergency 15KW Diesel Generator with a 54 gallon tank providing a 45 hour backup at full power. 48V battery plant providing 4 hrs emergency backup
Mile 8	Emergency 15KW Diesel Generator with a 54 gallon tank providing 45 hours of backup at full power. 48V battery backup providing 8 hrs backup
KSC	48V battery plant providing 12 hrs backup
LRD	48V battery plant providing 12hrs backup
SNAK	48V battery plant providing 12hrs backup
Landfill	48V battery plant providing 12 hrs backup
NKN Point	48V battery plant providing 8 hrs backup
KAKN	48V battery plant providing 10 hrs backup
Levelock	48V battery plant providing 12 hrs backup
Igiugig	48V battery plant providing 12 hrs backup
Koliganek	48V battery plant providing 12 hrs backup
New Stuyahok	48V battery plant providing 12 hrs backup
Ekwok	48V battery plant providing 12 hrs backup
Dlg COW	48 V battery plant providing 10hrs backup

Kanakaknak Emergency 15KW Diesel Generator with a 54 gallon tank providing 45 hours of backup at full power. 48V battery backup providing 8 hrs backup

Alegnagik Rd 48V battery plant providing 12 hrs backup

Clarks Point 48V battery plant providing 12 hrs backup

Manakotak I 48V battery plant providing 12 hrs backup

Manakotak II 48V battery plant providing 12 hrs backup

Remote Central Offices

N/A

Subscriber carrier

N/A

Network Interface Devices (NIDs)

N/A

Ability to reroute traffic around damaged facilities:

Bristol Bay Cellular Partnership, Inc. has stand alone locations connected solely by Satellite. All locations except one have access to two carriers which allows for toll redundancy.

Capability to manage traffic spikes resulting from emergency situations:

Bristol Bay Cellular Partnership, Inc. has 2,260 customers, switching capacity of 510 simultaneous calls, and transport capacity for 480 simultaneous calls. Bristol Bay Cellular Partnership, Inc. takes no responsibility for the capabilities of interconnected networks to manage traffic spikes resulting from emergency situations, but will continue its best efforts for its networks during such events.

BRISTOL BAY CELLULAR PARTNERSHIP, INC.
2012 Annual 54.313 Report of High-Cost Recipient

54.313(f)(2) Audited Financial Report

Annual Report of Companies Financial Condition:

Bristol Bay Cellular Partnership, Inc. is audited annually by an independent certified public accountant. Attachment A is the 2011 annual audited financials for Bristol Bay Cellular Partnership, Inc. certified by Erickson and Brooks, a certified public accounting firm from Fremont, Nebraska.

BRISTOL BAY CELLULAR PARTNERSHIP, INC.
2012 Annual 54.313 Report of High-Cost Recipient

54.313(h) Additional Residential Voice Rate Data
As of June 1, 2012

In paragraph 49 of the May 14, 2012 Third Order on Reconsideration, the FCC modified 54.318(c), and clarified that the rate floor applies to incumbent carriers. As a competitive carrier, 54.313(h) does not apply. We provide this on a voluntary basis.

Rates and lines ABOVE the local urban rate floor of \$10.00

<u>Voice rate data</u>	<u>Rate</u>
Residential Local Service Rate -	\$24.99
State Universal Service Fee	<u>\$2.40</u>
Total	\$27.39

Rates and lines BELOW the local urban rate floor of \$10.00

None

BRISTOL BAY CELLULAR PARTNERSHIP

KING SALMON, ALASKA

FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

ERICKSON & BROOKS

Certified Public Accountants

FREMONT, NEBRASKA

BRISTOL BAY CELLULAR PARTNERSHIP
KING SALMON, ALASKA
DECEMBER 31, 2011 AND 2010

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Erickson & Brooks

CERTIFIED PUBLIC ACCOUNTANTS

STEVEN E. PRIBNOW
DANIEL J. WIESEN
KENT P. SPEICHER

2195 NORTH BROAD STREET
P.O. BOX 1270
FREMONT, NEBRASKA 68026-1270

(402) 721-3454
FAX (402) 721-2894
eb-cpa.com

INDEPENDENT AUDITORS' REPORT

To the Partners of Bristol Bay Cellular Partnership
King Salmon, Alaska

We have audited the accompanying balance sheets of Bristol Bay Cellular Partnership (an Alaska partnership) as of December 31, 2011 and 2010, and the related statements of income and partners' equity and cash flows for the years then ended. These financial statements are the responsibility of the Partnership's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Bristol Bay Cellular Partnership as of December 31, 2011 and 2010, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

ERICKSON & BROOKS

Erickson & Brooks

Fremont, Nebraska
February 23, 2012

BRISTOL BAY CELLULAR PARTNERSHIP
KING SALMON, ALASKA
BALANCE SHEETS
DECEMBER 31, 2011 AND 2010

ASSETS (NOTES 1 AND 2)

	<u>2011</u>	<u>2010</u>
Current assets:		
Cash	\$ 864,576	\$ 1,052,895
Accounts receivable (net of an allowance for uncollectibles of \$17,234 in 2011 and \$16,490 in 2010)	30,839	30,637
Accounts receivable - settlements (Note 7)	172,040	154,170
Accounts receivable - affiliates (Note 3)	-	203,981
Materials and supplies	31,679	19,573
Prepayments	<u>65,483</u>	<u>33,574</u>
	<u>1,164,617</u>	<u>1,494,830</u>
Noncurrent assets:		
Intangible assets (Note 1)	<u>256,611</u>	<u>256,611</u>
Property, plant and equipment: (Note 2)		
Telecommunications plant under construction	132,897	311,963
Telecommunications plant in service	<u>9,400,690</u>	<u>7,900,470</u>
	9,533,587	8,212,433
Accumulated provision for depreciation	<u>6,646,332</u>	<u>5,741,589</u>
	<u>2,887,255</u>	<u>2,470,844</u>
	<u>\$ 4,308,483</u>	<u>\$ 4,222,285</u>

LIABILITIES AND EQUITIES

Current liabilities:		
Accounts payable	\$ 24,781	\$ 19,351
Customer deposits	4,440	4,860
Advance billings and payments	106,266	101,950
Accrued expenses	<u>10,371</u>	<u>469</u>
	<u>145,858</u>	<u>126,630</u>
Partners' equity	<u>4,162,625</u>	<u>4,095,655</u>
	<u>\$ 4,308,483</u>	<u>\$ 4,222,285</u>

The accompanying notes are an integral part of these financial statements.

BRISTOL BAY CELLULAR PARTNERSHIP
KING SALMON, ALASKA
STATEMENTS OF INCOME AND PARTNERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
Operating revenues:		
Cellular service revenue, net	\$ 2,079,546	\$ 2,582,266
Miscellaneous	<u>32,700</u>	<u>59,454</u>
	<u>2,112,246</u>	<u>2,641,720</u>
Operating expenses:		
Plant specific operations	321,986	302,639
Plant nonspecific operations	213,969	308,136
Depreciation and amortization	904,743	619,885
Customer operations	412,786	277,287
Corporate operations	<u>189,166</u>	<u>156,078</u>
	<u>2,042,650</u>	<u>1,664,025</u>
Operating income	<u>69,596</u>	<u>977,695</u>
Other income (expense):		
Interest and dividend income	148	1,793
Miscellaneous expense	<u>(2,774)</u>	<u>-</u>
	<u>(2,626)</u>	<u>1,793</u>
Net income	66,970	979,488
Partners' equity, beginning of year	4,095,655	3,716,167
Partners' distributions	<u>-</u>	<u>(600,000)</u>
Partners' equity, end of year	<u>\$ 4,162,625</u>	<u>\$ 4,095,655</u>

The accompanying notes are an integral part of these financial statements.

BRISTOL BAY CELLULAR PARTNERSHIP
KING SALMON, ALASKA
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
Cash flows from operating activities:		
Cash received from consumers	\$ 2,296,913	\$ 2,574,727
Cash paid to suppliers and employees	(1,163,805)	(952,961)
Interest and dividends received	148	1,793
Net cash provided by operating activities	<u>1,133,256</u>	<u>1,623,559</u>
Cash flows from investing activities:		
Construction and acquisition of plant	<u>(1,321,155)</u>	<u>(1,209,262)</u>
Cash flows from financing activities:		
Distribution to partners	-	(600,000)
Decrease in customer deposits	<u>(420)</u>	<u>(4,284)</u>
Net cash used by financing activities	<u>(420)</u>	<u>(604,284)</u>
Net decrease in cash	(188,319)	(189,987)
Cash - beginning of year	<u>1,052,895</u>	<u>1,242,882</u>
Cash - end of year	<u>\$ 864,576</u>	<u>\$ 1,052,895</u>
Reconciliation of net income to net cash provided by operating activities:		
Net income	\$ 66,970	\$ 979,488
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	904,743	619,885
Provision for uncollectible accounts receivable	744	(11,460)
(Increase) decrease in:		
Accounts receivable	(18,817)	54,044
Accounts receivable - affiliates	203,981	(103,217)
Prepayments	(31,909)	92,236
Materials and supplies	(12,106)	8,687
Increase (decrease) in:		
Accounts payable	5,430	(7,894)
Accrued expenses	9,904	(1,850)
Advance payments	<u>4,316</u>	<u>(6,360)</u>
Net cash provided by operating activities	<u>\$ 1,133,256</u>	<u>\$ 1,623,559</u>

The accompanying notes are an integral part of these financial statements.

BRISTOL BAY CELLULAR PARTNERSHIP
KING SALMON, ALASKA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010

Note 1 - Summary of Significant Accounting Policies

Nature of Operations

Bristol Bay Cellular Partnership provides cellular telephone service to subscribers in the King Salmon and Dillingham areas. Cellular service revenues consist of activation fees, monthly access fees, and airtime charges. Toll service is purchased from interexchange carriers and resold to cellular subscribers. Receivables arise primarily from subscribers involved in the commercial fishing and tourism industries with the majority of airtime billed during the summer months.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Temporary Cash Investments

Cash consists primarily of checking and savings accounts, which may be liquidated in a period of less than 90 days. Cash and cash investments are stated at cost, which approximates market value.

Accounts Receivable

Provision of uncollectible accounts receivable is based on an analysis of the aging of accounts receivable and the probability of collection. The Partnership grants credit to local residents and others who work in the fishing industry during the summer months.

The Partnership's policy is to accrue interest on trade receivables 30 days after invoice date. Accounts continue to accrue interest until either paid-off, written-off or service is terminated. Accounts that continued to accrue interest and were more than 90 days past due totaled \$18,682 and \$24,017 at December 31, 2011 and 2010, respectively.

Materials and Supplies

Inventories are stated at the lower of cost or market. Cost is determined principally by the average cost method. Inventory consists primarily of phones for resale.

Property and Equipment

Cellular telephone plant is capitalized at original cost, including the capitalized cost of salaries and wages, materials, certain payroll taxes and employee benefits.

Renewals and betterments of units of property are charged to telephone plant in service. When cellular telephone plant is retired, its cost is removed from the asset account and charged against accumulated depreciation, together with removal costs less any salvage realized. No gains or losses are recognized in connection with routine retirements of depreciable telephone property. Repairs and renewals of minor items of property are included in plant specific operations expense.

BRISTOL BAY CELLULAR PARTNERSHIP
KING SALMON, ALASKA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(continued)

Depreciation

The Partnership provides for depreciation for financial reporting purposes on the straight-line method by the application of rates based on the estimated service lives of the various classes of depreciable property.

Intangible Assets

The Partnership tests its cellular license annually for impairment. The Partnership considers relevant cash flow and profitability information, including estimated future operating results, trends and other available information, in assessing whether the carrying value of intangible assets can be recovered. As of December 31, 2011 and 2010, the estimated fair market value of the cellular license was considered equal to or greater than the unamortized carrying cost of \$256,611.

Impairment of Long-Lived Assets

Long-lived assets are reviewed for impairment when circumstances indicate the carrying value of an asset may not be recoverable. If impairment exists, an adjustment is made to write the asset down to its fair value, and a loss is recorded as the difference between the carrying value and fair value. Fair values are determined based on quoted market values, discounted cash flows or internal and external appraisals, as applicable. Assets to be disposed of are carried at the lower of carrying value or estimated net realizable value. Based on management's analysis, no write-down was considered necessary for the years ended December 31, 2011 and 2010.

Income Taxes

Income taxes are not payable by, or provided for, the Partnership. Partners are taxed individually on their share of partnership earnings. Partnership net taxable income is allocated to the partners based on the ratio of each partner's capital contribution to the aggregate capital contribution of all partners.

In accordance with Financial Accounting Standards Board's Accounting Standard's Codification No. 740, the Company is required to inventory, evaluate, and measure all uncertain tax positions taken or to be taken in tax returns, and to record liabilities for the amount of such positions that may not be sustained, or may only partially be sustained, upon examination by relevant taxing authorities. The Company's income tax filings are subject to audit by various taxing authorities. The Company's open audit periods are 2008-2011. In evaluating the Company's tax provisions and accruals, future taxable income, and the reversal of temporary differences, interpretations, and tax planning strategies are considered. The Company believes their estimates are appropriate based on current facts and circumstances.

Sales Tax

The Partnership excludes from its sales all sales taxes assessed to its customers. Sales taxes assessed are recorded as accrued liabilities on the balance sheet until remitted to the state agencies.

Advertising Costs

The Partnership follows the policy of charging the costs of advertising to expense as incurred. Advertising expense for the years ended December 31, 2011 and 2010 was \$17,267 and \$12,722, respectively.

BRISTOL BAY CELLULAR PARTNERSHIP
KING SALMON, ALASKA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(continued)

Note 2 - Investment in Property, Plant and Equipment

Telecommunication plant in service and under construction is stated at cost. Listed below are the major classes of cellular telephone plant in service and the composite depreciation rates as of December 31, 2011 and 2010.

	<u>Rates</u>	<u>2011</u>	<u>2010</u>
Cell sites	10.00 - 20.00	\$ 7,615,796	\$ 6,115,576
Towers	10.00	66,441	66,441
Microwave system	10.00	1,347,520	1,347,520
Buildings	10.00	342,773	342,773
Vehicles	6.67	14,555	14,555
Computer systems and office equipment	14.29	13,605	13,605
		<u>9,400,690</u>	<u>7,900,470</u>
Less: Accumulated depreciation		<u>6,646,332</u>	<u>5,741,589</u>
Net property, plant and equipment		<u>\$ 2,754,358</u>	<u>\$ 2,158,881</u>

The Partnership provides for depreciation on a straight-line basis at annual rates which will amortize the depreciable property over its estimated useful life. Such provision as a percentage of the average balance of telephone plant in service was 10.46 percent in 2011 and 8.52 percent in 2010.

Note 3 - Related Party Transactions

The Partnership incurred transactions with Bristol Bay Telephone Cooperative, Inc. The transactions consist of the advancement of funds and the allocation of operating expenses. Aleutian Telcom, Inc., a general partner of the partnership, is a wholly-owned subsidiary of Bristol Bay Telephone Cooperative, Inc.

Related party transactions include the following:

	<u>2011</u>	<u>2010</u>
<u>Bristol Bay Telephone Cooperative, Inc. (BBTC)</u>		
Allocation of payroll, benefits, overhead clearings and other operating expenses.	\$ (500,680)	\$ (452,232)
Funds received from BBTC	(400,000)	(200,000)
Funds advanced to BBTC	<u>687,771</u>	<u>749,764</u>
	<u>\$ (212,909)</u>	<u>\$ 97,532</u>
Amount due (payable) BBTC at December 31	<u>\$ (8,928)</u>	<u>\$ 203,981</u>

The payable to BBTC is included in accounts payable at December 31, 2011.

BRISTOL BAY CELLULAR PARTNERSHIP
KING SALMON, ALASKA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(continued)

Note 4 - Lease Agreements

The Partnership has entered into several operating lease agreements with others for space on existing tower structures and for various parcels of land on which to build cellular transmitting towers. The agreements are noncancelable with terms ranging from 5 to 25 years. Lease rent expense plus reimbursement of the lessor's up-front costs amounted to \$27,745 in 2011 and \$31,040 in 2010.

At December 31, 2011, future minimum lease payments for the succeeding 5 years are as follows:

2012	\$	25,856
2013		25,856
2014		25,856
2015		24,271
2016		6,631

Note 5 - Concentration of Credit Risk

The Partnership maintains its cash balances in financial institutions and brokerage accounts. At times, these balances may exceed the limits insured by the Federal Deposit Insurance Corporation. At December 31, 2011, combined uninsured amounts held at these financial institutions totaled \$566,548.

Note 6 - Transfer of Partner's Interest

The Partnership agreement contains a provision restricting the sale, transfer, assignment or exchange by any of the partners of their Partnership interest to an outside party. Before the sale, transfer, assignment or exchange to an outside party can occur, the other partner is entitled to match the offer and acquire the selling partner's interest.

Note 7 - Accounts Receivable Settlements

The Partnership is designated as an eligible telecommunication carrier (ETC), which entitles the Partnership to receive high cost support from the Universal Service Administration Co. (USAC). The amount of support received from USAC is based on the high cost support received by the incumbent local exchange carrier (ILEC). The ILEC's support is based on the number of customers served and the cost of providing services in that area being in excess of the national average, as determined by the FCC. As of December 31, 2011 and 2010, the Partnership had an outstanding receivable balance from USAC of \$172,040 and \$154,170, respectively. For the years ended December 31, 2011 and 2010, support received from USAC totaled \$1,534,933 and \$2,013,569, respectively.

The ability of USAC to provide these revenues to organizations similar to the Company is contingent upon regulatory and legislative rules which provide for the continuance of universal service support as currently enacted. Any regulatory or legislative changes that reduce the universal support mechanism and the amount of revenues may have a material impact on the Company.

Note 8 - Subsequent Events

The Partnership has evaluated all subsequent events through February 23, 2012, the date the financial statements were available to be issued. The partners have approved a \$400,000 distribution to be paid in January 2012.